

Comments on Advanced Notice of Proposed Rulemaking for Part 704

b) Liquidity and Liquidity Management: A vital role of corporates is to fulfill the liquidity needs of their members. Thus, it is crucial that corporates properly consider their investment position relative to their cash flow needs.

i) Should liquidity be considered a core service of the corporate system?

Yes, liquidity should be a core service of the corporate system. Many credit unions especially smaller ones rely on the corporate because they do not have the expertise to make decisions on other alternatives. Additionally most do not probably need to borrow except on short-term intermittent basis. Other sources may require capital deposits or stock in order to use them. Credit unions using the corporate already have a capital deposit. They would not have to fund additional stock or capital purchases. For those credit unions borrowing on a regular basis the corporate is an additional avenue to diversify their sources.

If so, what steps should be taken, and by whom, to preserve and strengthen corporates' ability to offer that service?

The corporates should be allowed to access the CLF directly. In times of liquidity strains this should be another source of availability. An over reliance on one source such as US Central puts the ability to offer this service at risk. They should be required by regulators to have a diversified pool of sources for funds; commercial markets, CLF, member deposits, etc, with a defined amount of concentration in any one area.

d) Expanded Investment Authority: Currently, corporates meeting certain criteria can qualify for expanded investment authority; such as authority to purchase investments with relatively lower credit ratings than otherwise permissible under the rule.

Corporates by the nature of their business model need to be able to invest in more complex investment vehicles than natural person credit unions. A variety of reasons such as better ALM and spread management require this authority. However additionally it requires a much more sophisticated level of expertise. While the regulations require that those with investment authority have the education and experience commensurate with the type of investing they are doing I think that it should be much more definitive for corporate investment managers.

6) Corporate Governance: Due to the sophistication and far-reaching impact of corporate activities, NCUA is considering several changes to corporates' boards.

a) Should NCUA establish minimum standards for directors in regard to their level of experience and independence?

Yes. These are complicated businesses that require more than just the executive team to have a very good understanding the business model, risk management and financial matters.

b) Should "outside directors" be allowed? (I.e., those who are not officers of that corporate, officers of member natural person credit unions, and/or individuals from entirely outside the credit union industry).

Yes. A combination of both natural person credit union officers and individuals outside of the industry would be best. It would allow for familiarity with the industry itself and an understanding of its need in addition to perspective from outside not necessarily influenced by self-serving concerns